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PP RUEHMA RUEHPA
DE RUEHUJA #1992/01 3031410
ZNR UUUUU ZZH
P 301410Z OCT 09
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 7366
INFO RUEHOS/AMCONSUL LAGOS PRIORITY 2196
RUEHZK/ECOWAS COLLECTIVE

UNCLAS SECTION 01 OF 02 ABUJA 001992

SIPDIS

DEPARTMENT PASS TO USTR FOR AGAMA
TREASURY FOR TONY IERONIMO, ADAM BARCAN, SOLOMON AND RITTERHOFF

E.O. 12598: N/A

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [NI](#)

SUBJECT: CENTRAL BANK OF NIGERIA PUBLISHES A SECOND LIST OF BANK
DEBTORS

REFTEL: ABUJA 1845

SUMMARY

¶1. (SBU) The Central Bank of Nigeria published another list of bad debtors after its second round of bank audits. Some individuals have challenged their inclusion and threatened litigation. Some loans were secured with collateral, and it is not apparent why the banks failed to dispose of this collateral to offset the non-performing loans. The GON also owes debtors for contracts completed, such as power plants in the National Integrated Power Project and road construction. Debts recovered as a result of the Economic and Financial Crimes Commission's actions are a small proportion of the total amount of bad debt. END SUMMARY.

PROMINENT INDIVIDUALS

¶2. (SBU) The Central Bank of Nigeria (CBN) published a second list of bad debtors on October 14 following the completion of its audit of the remaining ten banks (reftel). The list includes prominent Nigerian businessmen, companies, and several states. Prominent entities/persons include: Rockson Engineering, owned by Engineer Arumemi Johnson; Transnational Corporation (TRANSCORP), a domestic conglomerate; People's Democratic Party (PDP) Chairman Board of Trustees Chief Anthony Anenih; former Vice President Atiku Abubakar; Zenon Oil, owned by business mogul Femi Otedola; prominent industrialist Aliko Dangote (a repeat from the first list); Global Fleet, owned by Jimoh Ibrahim; presidential adviser Dr. Wale Babalakin; Nigerian High Commissioner to South Africa Buba Marwa; Nigerian Minister of Labor Adetokunbo Kayode; Oodua Investments, a conglomerate jointly owned by Ogun, Oyo, Osun, Ondo, and Ekiti States; the Bayelsa State government; prominent political-economist Professor Pat Utomi; business mogul Mike Adenuga; Chief Cletus Ibeto; and Sir Emeka Offor.

SOME OF THE DEBTS WERE SECURED

¶3. (SBU) The list of debtors of recently audited banks such as Wema Bank and Spring Bank included the collateral posted for the loans. Collateral included properties in Lagos, Abuja, and Port Harcourt. Normal banking practice calls for banks to dispose of the collateral to offset non-performing loans and obtain a court order to wind up the business of the defaulting customer if the proceeds from asset disposal are insufficient. It is not apparent why the banks failed to dispose of the available collateral in these cases.

THE GOVERNMENT OWES SOME OF THE DEBTORS

14. (SBU) Several debtors are creditors to the GON, which often delays paying for completed contracts, sometimes for years, which can cause contractors to default on loans. Debtors falling into this category include Rockson Engineering, which has almost completed the power plants financed under the GON's National Integrated Power Project, and TRANSCORP, whose purchase of the privatized state telecommunications company NITEL was cancelled but is still awaiting a refund from the GON.

DEBTORS LIST IS BEING CHALLENGED

15. (SBU) Debtors such as former Vice-President Atiku Abubakar acknowledged their indebtedness and said they are willing to pay their debts. Others published ads in the local press asserting their innocence. Future View Securities, Extra Oil Limited, and Tradjek Nigeria Limited claimed that they neither applied for nor received loans from Bank PHB, and challenged Bank PHB to provide proof of to the contrary within seven days or face litigation. Others who have challenged their inclusion in the list are Netlink Digital Television, Mofas Shipping Line, Brigadier (rtd.) Buba Marwa, and Professor Pat Utomi. Companies such as Globe Motors claim that their loans have been restructured and are in compliance, while others have claimed that their purported indebtedness is a subject of litigation. The CBN responded by inviting debtors to challenge it in court.

AMOUNT RECOVERED IS A SMALL PERCENTAGE OF THE TOTAL

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16. (SBU) The Economic and Financial Crimes Commission (EFCC) has held press briefings on the amount recovered from debtors since the "name and shame" strategy began. In October, it announced that it had recovered about 135 billion naira (\$900 million), which is less than ten percent of the non-performing loans. Analysts estimate the total bad debt is between 1.5 trillion and 3 trillion naira (\$10 to \$20 billion).

SOME DEBTORS TO BE RE-INSTATED

17. (SBU) Equitorial Trust Bank non-executive director and business mogul Mike Adenuga, who was initially sacked from the ETB board by the CBN, is expected to be back on the bank's board soon. CBN sources stated that upon further investigation no money laundering or insider abuse practices were found against him, according to local press reports. The CBN is discussing with Adenuga the injection of \$150 million of additional capital into the bank.

COMMENT

18. (SBU) CBN actions have been hailed as a tonic to corrupt banking practices - a clear economic positive in the long run - but in the short term they contributed to a contraction in credit. Litigation from alleged errors in the bad debtor lists could prevent banks from recovering debt, most of which will have to be recovered through a combination of debt restructuring, collateral sales, and court-sanctioned winding up of the debtors' businesses.

SANDERS